
HOUSE BILL 1835

State of Washington 60th Legislature 2007 Regular Session

By Representatives Alexander, Haler, Bailey, Rodne, Chandler and Kretz

Read first time 01/30/2007. Referred to Committee on Appropriations.

1 AN ACT Relating to the state expenditure limit; and amending RCW
2 43.135.010, 43.135.025, and 43.135.035.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.135.010 and 2005 c 72 s 3 are each amended to read
5 as follows:

6 The people of the state of Washington hereby find and declare:

7 (1) The continuing increases in our state tax burden and the
8 corresponding growth of state government is contrary to the interest of
9 the people of the state of Washington.

10 (2) It is necessary to limit the rate of growth of state government
11 while assuring adequate funding of essential services, including basic
12 education as defined by the legislature.

13 (3) The current budgetary system in the state of Washington lacks
14 stability. The system encourages crisis budgeting and results in
15 cutbacks during lean years and overspending during surplus years.

16 (4) It is therefore the intent of this chapter to:

17 (a) Establish a limit on state expenditures that will assure that
18 the growth rate of state expenditures does not exceed the growth rate
19 (~~in Washington personal income~~) of inflation and population;

1 (b) Assure that local governments are provided funds adequate to
2 render those services deemed essential by their citizens;

3 (c) Assure that the state does not impose responsibility on local
4 governments for new programs or increased levels of service under
5 existing programs unless the costs thereof are paid by the state;

6 (d) Provide for adjustment of the limit when costs of a program are
7 transferred between the state and another political entity;

8 (e) Establish a procedure for exceeding this limit in emergency
9 situations;

10 (f) Provide for voter approval of tax increases; and

11 (g) Avoid overfunding and underfunding state programs by providing
12 stability, consistency, and long-range planning.

13 **Sec. 2.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to read
14 as follows:

15 (1) The state shall not expend from the general fund and related
16 funds during any fiscal year state moneys in excess of the state
17 expenditure limit established under this chapter.

18 (2) Except pursuant to a declaration of emergency under RCW
19 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
20 the state treasurer shall not issue or redeem any check, warrant, or
21 voucher that will result in a state general fund or related fund
22 expenditure for any fiscal year in excess of the state expenditure
23 limit established under this chapter. A violation of this subsection
24 constitutes a violation of RCW 43.88.290 and shall subject the state
25 treasurer to the penalties provided in RCW 43.88.300.

26 (3) The state expenditure limit for any fiscal year shall be the
27 previous fiscal year's state expenditure limit increased by a
28 percentage rate that equals the fiscal growth factor. Appropriations
29 made from the state general fund or related funds for deposit into
30 other funds do not constitute actual expenditures for purposes of
31 rebasing pursuant to this subsection unless the amount deposited into
32 the other fund is expended before the close of the fiscal year for
33 which it was appropriated.

34 (4) For purposes of computing the state expenditure limit for the
35 fiscal year beginning July 1, ((2007)) 2008, the phrase "the previous
36 fiscal year's state expenditure limit" means the total state

1 expenditures from the state general fund and related funds, not
2 including federal funds, for the fiscal year beginning July 1, ((2006))
3 2007, plus the fiscal growth factor.

4 (5) A state expenditure limit committee is established for the
5 purpose of determining and adjusting the state expenditure limit as
6 provided in this chapter. The members of the state expenditure limit
7 committee are the director of financial management, the attorney
8 general or the attorney general's designee, and the chairs and ranking
9 minority members of the senate committee on ways and means and the
10 house of representatives committee on appropriations. All actions of
11 the state expenditure limit committee taken pursuant to this chapter
12 require an affirmative vote of at least four members.

13 (6)(a) Prior to final passage of the omnibus operating budget by
14 the legislature, the expenditure limit committee shall meet to adjust
15 the expenditure limit for transfers and cost shifts under RCW
16 43.135.035 (4) and (5) and 43.135.060(2). If necessary, the committee
17 shall make further adjustments after the governor signs the omnibus
18 operating budget.

19 (b) Each November, the state expenditure limit committee shall
20 adjust the expenditure limit for the preceding fiscal year based on
21 actual expenditures and known changes in the fiscal growth factor and
22 then project an expenditure limit for the next two fiscal years. If,
23 by November 30th, the state expenditure limit committee has not adopted
24 the expenditure limit adjustment and projected expenditure limit as
25 provided in subsection (5) of this section, the attorney general or his
26 or her designee shall adjust or project the expenditure limit, as
27 necessary.

28 (7) "Fiscal growth factor" means the average ((~~growth in state~~
29 ~~personal income for the prior ten~~)) of the sum of inflation and
30 population change for each of the prior three fiscal years.

31 (8) "General fund" means the state general fund.

32 (9) "Related fund" means the health services account, violence
33 reduction and drug enforcement account, public safety and education
34 account, water quality account, education legacy trust account, or
35 student achievement fund.

36 **Sec. 3.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to read
37 as follows:

1 (1) After July 1, 1995, any action or combination of actions by the
2 legislature that raises state revenue or requires revenue-neutral tax
3 shifts may be taken only if approved by a two-thirds vote of each
4 house, and then only if state expenditures in any fiscal year,
5 including the new revenue, will not exceed the state expenditure limits
6 established under this chapter.

7 (2)(a) If the legislative action under subsection (1) of this
8 section will result in expenditures in excess of the state expenditure
9 limit, then the action of the legislature shall not take effect until
10 approved by a vote of the people at a November general election. The
11 state expenditure limit committee shall adjust the state expenditure
12 limit by the amount of additional revenue approved by the voters under
13 this section. This adjustment shall not exceed the amount of revenue
14 generated by the legislative action during the first full fiscal year
15 in which it is in effect. The state expenditure limit shall be
16 adjusted downward upon expiration or repeal of the legislative action.

17 (b) The ballot title for any vote of the people required under this
18 section shall be substantially as follows:

19 "Shall taxes be imposed on in order to allow a
20 spending increase above last year's authorized spending adjusted for
21 personal income growth?"

22 (3)(a) The state expenditure limit may be exceeded upon declaration
23 of an emergency for a period not to exceed twenty-four months by a law
24 approved by a two-thirds vote of each house of the legislature and
25 signed by the governor. The law shall set forth the nature of the
26 emergency, which is limited to natural disasters that require immediate
27 government action to alleviate human suffering and provide humanitarian
28 assistance. The state expenditure limit may be exceeded for no more
29 than twenty-four months following the declaration of the emergency and
30 only for the purposes contained in the emergency declaration.

31 (b) Additional taxes required for an emergency under this section
32 may be imposed only until thirty days following the next general
33 election, unless an extension is approved at that general election.
34 The additional taxes shall expire upon expiration of the declaration of
35 emergency. The legislature shall not impose additional taxes for
36 emergency purposes under this subsection unless funds in the education
37 construction fund have been exhausted.

1 (c) The state or any political subdivision of the state shall not
2 impose any tax on intangible property listed in RCW 84.36.070 as that
3 statute exists on January 1, 1993.

4 (4) If the cost of any state program, activity, or function is
5 shifted from the state general fund or a related fund to another source
6 of funding, or if moneys are transferred from the state general fund or
7 a related fund to another fund or account, the state expenditure limit
8 committee, acting pursuant to RCW 43.135.025(5), shall lower the state
9 expenditure limit to reflect the shift. For the purposes of this
10 section, a transfer of money from the state general fund or a related
11 fund to another fund or account includes any state legislative action
12 taken that has the effect of reducing revenues from a particular
13 source, where such revenues would otherwise be deposited into the state
14 general fund or a related fund, while increasing the revenues from that
15 particular source to another state or local government account. This
16 subsection does not apply to the dedication or use of lottery revenues
17 under RCW 67.70.240(3) or property taxes under RCW 84.52.068, in
18 support of education or education expenditures.

19 (5) If the cost of any state program, activity, or function and the
20 ongoing revenue necessary to fund the program or function are shifted
21 to the state general fund or a related fund on or after January 1,
22 2007, the state expenditure limit committee, acting pursuant to RCW
23 43.135.025(5), shall increase the state expenditure limit to reflect
24 the shift.

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